

Message Text

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12

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-10 NSAE-00 RSC-01 FAA-00 AID-20 FRB-02

TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01

OMB-01 PA-04 PRS-01 USIA-15 DRC-01 /132 W

----- 116669

R 112115Z JUN 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 3681

INFO AMCONSUL MONTREAL

AMCONSUL TORONTO

UNCLAS OTTAWA 1804

DOT PASS ASSISTANT SECRETARY BINDER

E.O. 11652: N/A

TAGS: ETRN, CA

SUBJECT: CIVAIR: AIR CANADA FORECASTS \$10 MILLION LOSS IN 1974

REF: OTTAWA 1727

1. TORONTO GLOBE AND MAIL REPORTS MICHAEL H. COCHRANE, AIR CANADA'S VICE-PRESIDENT, FINANCE, TOLD PRESS CONFERENCE JUNE 10 CARRIER WILL OPERATE AT A LOSS THIS YEAR--POSSIBLY \$10 MILLION OR MORE--MAINLY BECAUSE OF DRAMATIC RISE IN FUEL PRICES. THIS CONTRASTS WITH PROFITS OF \$6.1 MILLION AND \$8.6 MILLION IN 1973 AND 1972, RESPECTIVELY. PROPOSED FARE INCREASE TO BE MADE "FAIRLY SOON" WILL REDUCE SIZE OF LOSS BUT NOT ELIMINATE IT. AIRLINE HAD PROJECTED PROFIT IN \$5-6 MILLION RANGE BEFORE FUEL PRICE RISE. FIREFIGHTER STRIKES AND THREAT OF WALKOUT BY AIR TRAFFIC CONTROLLERS EARLIER THIS YEAR ARE ALSO FACTORS IN FINANCIAL PICTURE IN VIEW LOSS OF REVENUES.

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2. CARRIER ALSO REPORTED NEGOTIATING SALE/LEASE

BACK DEAL FOR SOME OF ITS 10 LOCKHEED TRISTAR AIRCRAFT WITH A CONSORTIUM OF CANADIAN FINANCIAL INSTITUTIONS (INSURANCE COMPANIES, INVESTMENT HOUSES AND TRUST COMPANIES). TAX RULING FROM GOC DESCRIBED AS ONLY REMAINING HURDLE CONCLUDE DEAL. AIRLINE HOPES ARRANGEMENT CAN BE COMPLETED WITH CANADIAN INSTITUTIONS, BUT, IF NOT, COCHRANE SUGGESTED, IT WOULD TURN TO US SOURCES.

3. ANOTHER OFFICIAL STATED ON SAME OCCASION THAT CARRIER WILL COMMENCE TORONTO/MONTREAL AIR SHUTTLE SERVICE LATTER PART OF OCTOBER USING FIVE BOEING 727-200 AIRCRAFT AS ORDINARY EQUIPMENT AND TRISTARS DURING PEAK PERIOD.

4. COMMENT: EMBASSY UNDERSTANDS FROM MOT SOURCE THAT FARE INCREASE MENTIONED BY COCHRANE WILL BE PRIMARILY DOMESTIC. AIR CARRIERS'S BASIC VIEWS ON NORTH ATLANTIC HAD NOT CHANGED AS OF LAST WEEK, BUT CARRIER MAY BE PLANNING AN INITIATIVE AT FORT LAUDERDALE IATA CONFERENCE TO REDUCE ITS ISOLATION. CARRIER MAKING PRESENTATION TO GOC THIS WEEK RE ITS PLANS.

5. COPIES OF AIR CANADA'S 1973 ANNUAL REPORT WILL BE FORWARDED TO CERP ADDRESSEES AS SOON AS AVAILABLE.
PORTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, SALES, AIRPORTS, PRESS CONFERENCES
Control Number: n/a
Copy: SINGLE
Draft Date: 11 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974OTTAWA01804
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740150-0964
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740656/aaaabvym.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: OTTAWA 1727
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 27 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 AUG 2002 by PhilliRO>; APPROVED <10 JAN 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: AIR CANADA FORECASTS \$10 MILLION LOSS IN 1974
TAGS: ETRN, CA, AIR CANADA, LOCKHEED, (GLENN, CLAYTON), (COCHRANE, MICHAEL H)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005